



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Administration for Children and Families

45 CFR Part 305

RIN 0970-AC86

Paternity Establishment Percentage Performance Relief

AGENCY: Office of Child Support Enforcement (OCSE), Administration for Children and Families (ACF), Department of Health and Human Services (HHS).

ACTION: Final rule.

SUMMARY: Due to the impact of the COVID-19 public health emergency (PHE) on State child support program operations, OCSE modifies the Paternity Establishment Percentage (PEP) from the 90 percent performance threshold to 50 percent for Federal Fiscal Years (FFY) 2020, 2021, and 2022 in order for a State to avoid a financial penalty. OCSE also provides that adverse findings of data reliability audits of a State's paternity establishment data will not result in a financial penalty in FFYs 2020, 2021, and 2022.

DATES: This rule is effective on [INSERT DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

FOR FURTHER INFORMATION CONTACT: Kimberly Smith, Senior Advisor, OCSE Division of Policy and Training, at ocse.dpt@acf.hhs.gov or (202) 401-5679. Deaf and hearing impaired individuals may call the Federal Dual Party Relay Service at 1-800-877-8339 between 8 a.m. and 7 p.m. Eastern Time.

SUPPLEMENTARY INFORMATION:

I. Statutory Authority:

This rule is published under the authority granted to the Secretary of Health and Human Services by section 1102 of the Social Security Act (the Act) (42 U.S.C. 1302). Section 1102 of the Act authorizes the Secretary to publish regulations not inconsistent

with the Act as may be necessary for the efficient administration of the functions with which the Secretary is responsible under the Act. The relief from the PEP performance penalty under this rule is based on statutory authority granted under section 452(g)(3)(A) of the Act (42 U.S.C. 652(g)(3)(A)).

II. Background

This rule provides targeted and time-limited relief to States from penalties due to the impact of the national PHE caused by COVID-19 on State program performance. The pandemic has had an enormous adverse impact on child support services delivered by States under title IV-D of the Act, especially on paternity/parentage establishment, a core function of the child support program under section 452(a)(1) of the Act.

A State's paternity establishment performance, measured using the PEP, is a federally required performance measure under section 452(g) of the Act. Penalties related to the PEP performance measure are imposed as a reduction in the Temporary Assistance for Needy Families (TANF) program funding to States.

Section 452(g)(3) of the Act authorizes the Secretary “to take into account such additional variables as the Secretary identifies (including the percentage of children in a State who are born out of wedlock or for whom support has not been established) that affect the ability of a State to meet the [PEP performance measures] requirements of [section 452(g) of the Act].” The effect of the COVID-19 PHE on States is one such additional variable due to the unprecedented nature and scope of the pandemic's impact on the child support program.

FFY 2020 data indicated PEP performance declined for 41 States during the pandemic, with approximately one-third of States subject to a financial penalty if they did not take sufficient corrective action in FFY 2021. FFY 2021 preliminary data indicate

that nine of the States that faced a financial penalty for PEP performance for FFY 2020, along with four new States, would be assessed penalties without this rule.

In this rule, OCSE modifies the required PEP to a lower performance threshold of 50 percent for FFYs 2020, 2021, and 2022 and sets aside adverse data reliability audit findings related to PEP. This allows States that are not able to meet the PEP performance measure and data reliability audit requirements to avoid the financial penalty for FFYs 2020, 2021, and 2022 when the pandemic had its greatest impact on the child support program. Based on preliminary performance data submitted by States for FFY 2020 and 2021, a PEP level of 50 percent will ensure that no State will be subject to a financial penalty while State agency operations are disrupted due to the ongoing PHE.

This rule is time-limited and data-informed to provide relief narrowly and specifically in response to the ongoing PHE for FFYs 2020, 2021, and 2022. After the relief period, starting for FFY 2023, the PEP performance thresholds will revert back to the usual levels described under section 452(g) of the Act and 45 CFR 305.40(a)(1), and States will once again be subject to penalties for adverse data reliability audit findings related to the PEP measure after an automatic corrective action year as specified in 45 CFR 305.42.

The relief in this final rule maintains the integrity of the system of performance, audit, penalties, and incentives that has driven success and accountability in the child support program for over two decades. The regulation provides relief from the PEP measure and data reliability audit penalties but does not otherwise change the process for other performance measures, data collection, and reporting, audits, or incentives.

III. Summary Description of the Regulatory Provision

The notice of proposed rulemaking (NPRM) was published in the *Federal Register* on October 19, 2021 (86 FR 57770 through 57773). The comment period ended November 18, 2021.

OCSE received 26 sets of comments from States, organizations, and other interested entities and individuals, which were posted on www.regulations.gov.

Section 305.61: Penalty for failure to meet IV-D requirements.

In the NPRM, we proposed to add a new provision to Part 305, “Program Performance Measures, Standards, Financial Incentives and Penalties,” to provide short-term relief from financial penalties related to the PEP measure due to the impact of the COVID-19 PHE on State IV-D operations. Specifically, we proposed adding a new paragraph (e) to § 305.61, “Penalty for failure to meet IV-D requirements,” to modify the criteria by which States are subject to financial penalties for the PEP requirements. The modified criteria are that the acceptable performance level of PEP measure under § 305.40(a)(1) is reduced from 90 percent to 50 percent and the adverse findings of data reliability audits of a State's paternity establishment data under § 305.60 will not result in a financial penalty. The modifications, as proposed, are applicable to FFYs 2020 and 2021. In the NPRM, we specifically requested public comment on the timeframe for the relief and whether the relief period should be extended to include FFY 2022.

The vast majority of commenters supported the proposed relief and supported the extension of the timeframe to FFY 2022. We received one comment from an individual opposed to the regulation all together and a comment supporting the relief but not the extension of the relief period to FFY 2022. In drafting the final rule, the following are OCSE’s Response to Comments including the rationale for any changes made to the proposed rule and a final summary of regulatory changes. In addition, for clarity and

emphasis, in the final rule, OCSE also added a reference to 452(g)(A) of the Act, which is the specific statutory cite that provides the Secretary with discretionary authority to modify the required PEP level.

IV. Response to Comments

Comment 1: State agencies, child support organizations, child support professionals, and other entities and individuals who submitted comments were unequivocal in their support of the proposed relief and rationale described in the NPRM.

One commenter agreed with the conclusion in the NPRM that across-the-board State reductions in the PEP levels in FFY 2020 are directly attributable to the pandemic, based on performance trends for the last 10 years. Up until FFY 2020, almost all States achieved PEP levels above 90 percent each year.

Most commenters mentioned the variety of impacts of the pandemic on the ability to obtain voluntary acknowledgments of paternity. For example, one commenter described multiple effects of the pandemic on voluntary acknowledgment processes: (1) restrictions preventing fathers access to the hospital after a mother gives birth; (2) closure of local vital statistics offices; (3) restrictions preventing hospital access by State staff and contractors who provide training, technical assistance, and monitoring to hospital staff administering voluntary paternity programs; and (4) staffing shortages resulting in hospital staff sending paternity acknowledgment paperwork home with the mother rather than completing it at the hospital.

One commenter described the compounded performance problem in their State because their program has historically had a very strong in-hospital, voluntary acknowledgment program. In this State, children whose paternity was not acknowledged through the in-hospital program due to pandemic restrictions must now be acknowledged

at the city or town municipality or through the judicial process. These latter processes are more complex, may involve fees, take longer, and also are impacted by the pandemic.

Most commenters, especially from States with judicial-based child support programs, described the large and ongoing impact of the pandemic on court systems, where courts were initially closed and legal actions delayed, and where backlogs persist. One commenter noted that even as the courts and child support offices have shifted to virtual processes, the new mode of working has reduced productivity in some jurisdictions. Also, the pandemic has reduced in-person office visits, administrative proceedings, and court hearings.

Several commenters noted the disruption to genetic testing programs due to child support office closures, court closures, and staffing shortages. One commenter noted the challenge of being able to access alternate testing sites, such as prisons and correctional facilities. A commenter described the efforts to relocate their State's genetic testing services from courthouses in response to the pandemic and noted that genetic testing appointment attendance rates for alleged fathers declined 20 percent and for mothers declined 24 percent, compared to pre-pandemic rates. A commenter noted that genetic testing programs were also impacted because clinical laboratory resources were diverted for pandemic-related testing.

Commenters also described other kinds of barriers that impacted PEP performance. One State commenter described that they are unable to legally serve parties by mail, as certified mail is now being marked "COVID-19" and found insufficient for legal service. Two commenters noted that the pandemic suspension of cooperation requirements for TANF recipients has removed an important tool that incentivized recipients to attend appointments necessary for paternity establishment.

Notably, several States that will not be subject to PEP penalties, either because they met PEP performance during the pandemic or they expect to meet performance in the corrective action year, support providing the relief to other States under these pandemic circumstances.

Several commenters particularly noted the need for the relief to be finalized as soon as possible to help States plan resources during these challenging times. One commenter discussed the additional costs to programs to respond to the disaster and that the demand of meeting PEP standards, which has always been challenging, places further stress on the programs. Confirmation of penalty relief in this rule would allow programs to focus on recovery and restoration of pre-pandemic performance. One commenter noted their State had requested PEP penalty relief from OCSE early in the pandemic under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170) (See OCSE Dear Colleague Letter 20-04: Flexibilities for State and Tribal Child Support Agencies during COVID-19 Pandemic). However, the Stafford Act flexibilities do not extend to relief for financial penalties related to performance or adverse data reliability audit findings.

Response 1: Based on the overwhelming support for the proposed relief from penalties related to the PEP measure, for the reasons described in the NPRM and by the majority of commenters, OCSE agrees that this relief is needed and should be provided. The COVID-19 pandemic is unprecedented; time-limited, targeted relief from PEP-related performance penalties is appropriate.

Comment 2: One individual opposed the relief, disagreeing that COVID-19 was a reason for reducing the PEP performance threshold to 50 percent. The commenter stated that this relief was not needed in other pandemics and State child support agencies should try like everyone else to work virtually or even go back to mailing in the genetic tests.

Finally, the commenter stated this relief is unfair to children who would be left without a sense of comfort.

Response 2: We disagree. As noted by the majority of commenters, there are a number of operational challenges that justify this temporary modification of the required PEP levels.

Comment 3: In support of the proposed relief, two commenters stated that States should not be subject to PEP performance penalties during the pandemic because these are circumstances beyond the States' control.

Response 3: OCSE clarifies that this relief is appropriate in response to the nationwide COVID-19 pandemic. Other future events or actions, including future pandemics, that create circumstances beyond a State's control may not necessarily require this extraordinary regulatory response. The current child support performance, audit, penalties, and incentives system is designed to drive performance. States that experience individual challenges that impact performance, whether these challenges are within or outside the States' immediate control, are motivated to recover from setbacks and strive to achieve performance goals, as States have over the last two decades. This time-limited and targeted relief is a one-time response to the unprecedented COVID-19 pandemic.

Comment 4: A few States noted the importance of not imposing PEP penalties because of the direct impact on State TANF funds that support families who may be especially in need during the pandemic. One State TANF agency commented on how the reduction in the TANF grant will directly harm families, despite the TANF agency's continued efforts to work closely with the State's child support agency to facilitate paternity establishment for their service recipients.

Response 4: Under section 409(a)(12) of the Act and 45 CFR 262.1(e)(1), a performance penalty imposed against a State's TANF grant would not result in an overall reduction in the State's TANF funding that is available to public assistance recipients because the state is required to make up the missing federal dollars with State funds. Rather, the requirement on States to make up this funding will put a strain on State public assistance and social services budgets overall, which will impact families needing assistance.

Comment 5: Twenty-three commenters supported extending the timeframe for the relief from penalties related to PEP performance and from adverse findings of data reliability audits of a State's paternity establishment data. The majority supported the extension as described in the proposed rule to include FFY 2022.

Most commenters noted that the pandemic continues to impact child support operations, especially the operations necessary for paternity establishment, and expected the impact to last well into FFY 2022. One commenter expected the following issues to persist into FFY 2022: backlogs with courts and vital statistics agencies; low DNA sample collection due to families missing appointments; suspension of TANF recipient cooperation requirements; and disruption of voluntary acknowledgment processes at hospitals and birthing centers, resulting in paperwork being sent home and delays in families processing them. Two commenters noted that an extension is appropriate since the national PHE currently extends to January 2022 (at the time of the comment).

Commenters stated that there is no definitive end to the pandemic in the foreseeable future, that the end of the pandemic is uncertain, and that States being able to return to 90 percent PEP levels in FFY 2022 is not realistic, given the ongoing challenges. According to one commenter, it will take at least the remainder of FFY 2022 to work through backlogs in courts and agency offices of paternity cases, and this situation is especially acute in court systems where other types of cases have been

prioritized over child support cases. According to another commenter, some States have indicated that the cumulative effects of the pandemic may result in a further decrease in their PEP levels in FFY 2021, and this negative momentum is likely to carry over in FFY 2022 and possibly beyond.

One State commented that because the PHE has been extended to at least the beginning of the second quarter of FFY 2022, the impact of the pandemic will affect States' abilities to establish paternity for at least half of the performance year. The Delta variant, according to several commenters, is adversely impacting State programs into FFY 2022. One commenter stated that the Delta variant appeared just as the pandemic seemed to be abating, caused a spike in cases and reimposition of pandemic restrictions, and that it is too early to tell if a new variant will surface and cause more disruption.

Several State commenters from States that did not expect to be subject to PEP penalties during the pandemic period strongly supported or saw no harm in extending the relief to FFY 2022 for other States.

Response 5: OCSE supports extending the proposed relief period to include FFY 2022 for the reasons described by the commenters due to initial indications from FFY 2021 performance data that the pandemic continues to adversely affect paternity establishment performance, and in order to give States more time to plan and adjust for the resumption of operation and performance standards.

According to OCSE's preliminary FFY 2021 data, 13 of the 54 State child support programs (the 54 programs include the 50 States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands) appear to have failed to meet the 90 percent PEP performance threshold. These include 9 States that previously failed to meet the 90 percent threshold in FFY 2020 and 4 new States that met PEP performance thresholds in FFY 2020 but failed in FFY 2021.

These data show that the pandemic continues to have an oversized and ongoing impact on States' abilities to establish paternity and meet performance thresholds. Not only were half of the 18 States that failed to meet performance in FFY 2020 unable to recover their performance in the subsequent year, but four additional States failed, despite having achieved PEP performance thresholds the year before. In addition, the PHE, first declared on January 31, 2020, was extended again on January 14, 2022, effective January 16, 2022.¹

In order to allow States more time to plan and adjust to regain performance standards, given the ongoing, unpredictable nature of the pandemic, including the fast spread of successive COVID-19 variants, OCSE agrees it is appropriate to extend the relief period to include performance for FFY 2022.

Comment 6: One commenter opposed the relief entirely for any time period, as noted in comment 2, and one commenter, who supported the relief for the proposed period of FFYs 2020 and 2021, opposed the extension to FFY 2022. According to this latter commenter, States inform them that paternity establishment operations are fully operational and that it is incumbent on HHS to return to normal operations and hold States accountable for program operations, including paternity establishment, which is a central function. The commenter recommended limiting relief to when State operations were most impacted by pandemic restrictions.

Response 6: OCSE disagrees and will extend the relief to FFY 2022 due to the unprecedented nature of the pandemic and to allow States more time to plan and adjust. However, after the relief period, starting for FFY 2023, the PEP performance thresholds

¹The determination that a PHE exists due to COVID-19 was first issued on January 31, 2020 and has been renewed every 90 days under section 319 of the Public Health Service Act (42 U.S.C. 247d). See Renewal of Determination That A Public Health Emergency Exists, dated January 14, 2022, available at: <https://aspr.hhs.gov/legal/PHE/Pages/COVID19-14Jan2022.aspx>.

will revert back to the usual levels, and States will again be responsible for performance and subject to penalties for adverse data reliability audit findings related to the PEP measure after an automatic corrective action year.

Comment 7: Several commenters suggested extending the relief beyond FFY 2022. One commenter suggested an option for an extension into FFY 2023 if circumstances warrant, and others requested flexibility to extend the relief into the future as needed or for any future FFY in which the country remains under a PHE due to COVID-19. Another, citing the possibility of the rise of a new variant and general uncertainty, suggested that the Secretary of HHS be given the authority to extend penalty relief in future years without the need to issue another regulation. This commenter said that there is strong justification to extend the relief through FFY 2022, after which we can review the need for further action and whether the Secretary could continue to extend the relief if the pandemic and States' need for relief are ongoing.

Response 7: OCSE agrees to extend the relief through FFY 2022 to provide States one additional year. However, the relief must be time-limited and targeted.

Comment 8: One State suggested that for the extension year, FFY 2022, the PEP threshold be modified from 90 percent to 75 percent, instead of the 50 percent proposed in the rule. The commenter reasoned that 75 percent is at the low end of the level just below 90 percent in 45 CFR 305.40(a)(1) and allows States that are still working through paternity establishment challenges to gradually increase performance rather than meet a more rigorous 90 percent level.

Response 8: For the reasons discussed in the previous comments and responses and for simplicity, OCSE will provide the same modification levels in extending the relief to FFY 2022 as provided for the first 2 years of the relief.

Comment 9: A commenter suggested that States that have met or exceeded the 90 percent performance threshold during the pandemic period receive an incentive, such as not having a full paternity establishment audit for FFY 2021 and FFY 2022.

Response 9: OCSE proposed regulatory relief in response to COVID-19 that is narrowly targeted towards relieving States of PEP-related penalties and does not include other forms of relief or incentives.

Summary of Regulatory Changes: For the reasons described above and in careful consideration of the comments, we finalize 45 CFR 305.61(e) by extending the relief period to FFY 2022 and referencing the specific statutory cite that provides the Secretary with discretionary authority to modify the required PEP level, 452(g)(A) of the Act.

V. Regulatory Review

Paperwork Reduction Act

No new information collection requirements are imposed by these regulations.

Regulatory Flexibility Analysis

The Secretary certifies that, under 5 U.S.C. 605(b), as enacted by the Regulatory Flexibility Act (Pub. L. 96-354), this rule will not result in a significant impact on a substantial number of small entities. The primary impact is on State governments. State governments are not considered small entities under the Regulatory Flexibility Act.

Regulatory Impact Analysis

Executive Orders 12866 and 13563

Executive Orders 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563

emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This rule meets the standards of Executive Order 13563 because it creates a short-term public benefit, at minimal cost to the Federal Government, by not imposing penalties against a State's TANF grant, during a time when public assistance funds are critically needed.

Executive Order 12866 provides that the Office of Information and Regulatory Affairs (OIRA) at the Office of Management and Budget (OMB) will review all significant rules. OIRA has determined that this final rule is significant and was accordingly reviewed by OMB.

ACF determined that the costs to title IV–D agencies as a result of this rule will not be “economically significant” as defined in Executive Order 12866 (have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities). Accordingly, OIRA has determined that this rulemaking is “not major” under Subtitle E of the Small Business Regulatory Enforcement Fairness Act of 1996 (also known as the Congressional Review Act).

Unfunded Mandates Reform Act of 1995

The Unfunded Mandates Reform Act of 1995 (Pub. L. 104-4) requires agencies to prepare an assessment of anticipated costs and benefits before issuing any rule that may result in an annual expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more (adjusted annually for inflation). That threshold level is currently approximately \$164 million. This rule does not impose any mandates on State, local, or tribal governments, or the private sector, that will result in an annual expenditure of \$164 million or more.

Assessment of Federal Regulations and Policies on Families

Section 654 of the Treasury and General Government Appropriations Act of 1999 requires Federal agencies to determine whether a proposed policy or regulation may affect family well-being. If the agency's determination is affirmative, then the agency must prepare an impact assessment addressing seven criteria specified in the law. This regulation does not impose requirements on States or families. This regulation will not have an adverse impact on family well-being as defined in the legislation.

Executive Order 13132

Executive Order 13132 prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial direct compliance costs on State and local governments and is not required by statute, or the rule preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive Order. This rule does not have federalism impact as defined in the Executive Order.

January Contreras, Assistant Secretary of the Administration for Children and Families, approved this document on May 5, 2022

List of Subjects in 45 CFR Part 305

Child support, Program performance measures, standards, financial incentives, and penalties.

(Catalog of Federal Domestic Assistance Programs No. 93.563, Child Support Enforcement Program.)

Dated: May 23, 2022.

Xavier Becerra,
Secretary,
Department of Health and Human Services.

For the reasons discussed in the preamble, the Department of Health and Human Services amends 45 CFR part 305 as set forth below:

**PART 305—PROGRAM PERFORMANCE MEASURES, STANDARDS,
FINANCIAL INCENTIVES, AND PENALTIES**

1. The authority citation for part 305 continues to read as follows:

AUTHORITY: 42 U.S.C. 609(a)(8), 652(a)(4) and (g), 658a, and 1302.

2. In § 305.61 add paragraph (e) to read as follows:

§ 305.61 Penalty for failure to meet IV-D requirements.

* * * * *

(e) *COVID-19 paternity establishment percentage penalty relief.* Due to the adverse impact of the COVID-19 pandemic on State IV-D operations, the criteria by which States are subject to financial penalties for the paternity establishment percentage under paragraph (a) of this section are modified for fiscal years 2020, 2021, and 2022, in accordance with section 452(g)(A) of the Act, as follows:

(1) The acceptable level of paternity establishment percentage performance under § 305.40(a)(1) is modified for fiscal years 2020, 2021, and 2022 from 90 percent to 50 percent, and

(2) The adverse findings of data reliability audits of a State's paternity establishment data under § 305.60 will not result in a financial penalty for fiscal years 2020, 2021, and 2022.

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[FR Doc. 2022-11391 Filed: 5/26/2022 8:45 am; Publication Date: 5/27/2022]